ANALYSIS OF FEDERAL BUDGET EXPENDITURES ON INLAND WATERWAYS

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1.Introduction

Inland waterway industry as an element of the transport system of the Russian Federation includes the following components:

1. *infrastructure*: network of main communications (waterways), hydraulic structures (HS – locks, dams, hydraulic power stations), auxiliary fleet, etc.;

2. *service system*: buildings, equipment, auxiliary communications, and land;

3. *transport*: cargo transportation activities;

4. *services*: core (locking, maintaining hydrostatic pressure for hydroelectric power stations, pumping water for farmland irrigation, piloting, cleaning of waterways) and auxiliary (forwarding, storage, distribution, value-added logistics) services.

Operations of inland waterway industry are closely related to operations of river/sea ports and other components of the national transportation system.

The infrastructure of inland waterway is composed of the following elements:

- navigable inland waterways of Russia (hereinafter referred to as IWW) owned by the Federation. IWW length is about 89,000 km, including 16,000 km of man-made waterways;

- shipping locks. Russian IWW are equipped with 110 shipping locks;

- water retaining facilities (over 700 units, including 70 head dams);

- hydroelectric power stations (13 power stations);

- special purpose technical fleet. Waterway organizations have over 3,000 vessels on their books, including 200 bucket-dredges.

This report largely focuses on that part of the waterway sector (infrastructure, service system, a number of service functions) that has remained public and receives budgetary support.

As of 01.01.1997 fixed assets value (with no revaluation undertaken thereafter) of the infrastructure amounts to RUR30 bn, of which hydraulic structures and auxiliary fleet account for about RUR22 bn and RUR 8bn respectively.

Inland waterway sector enterprises (that hereinafter shall be understood to include government agencies) have specific features that make them different from other transportation enterprises, since their activities give rise to numerous externalities. Thus, their operations ensure:

- navigation;
- resources for water supply needs;

- maintenance of pressure head for hydroelectric power stations;
- irrigation of farmlands;
- ecological balance.

Besides, the ecological system those enterprises create supports fishing industry, and maintains the level of ground waters (and consequently, level of water in wells). They ensure delivery of goods to Extreme North regions and locations equated thereto, as well as safety of navigation and failure-free operation of hydraulic structures.

Hydraulic structures operated by sector companies are included in the group of highly hazardous sites. Federal Law #111-FZ, dated 21 July 1997 "On Safety of Hydraulic Structures" emphasizes strategic and economic importance of safety of hydraulic structures. They were included in the list of sites of strategic importance. It was also stressed that insufficient financing of safety measures at hydraulic structures constitutes a breach of law (Article 19) and results in lower reliability thereof due to loss of carrying capacity. Therefore, the Government of the Russian Federation instructed the Ministry of Economy of the Russian Federation to provide state support (Regulation #НА-П5-42555 dated 20/12/99) to hydraulic structures. It is therefore of paramount importance to explore what resources are required to secure HS safety and how well appropriated funds are used.

Technically it is difficult to differentiate between the foregoing functions. In most cases it is also difficult to identify the cost of individual services since they are delivered simultaneously. For this reason, many of the industry services are provided to consumers free of charge.

Another specific feature of those enterprises is their natural monopoly status that by itself warrants government intervention.

At present the waterway industry is governed in accordance with the territorial (river basin) principle. It includes unitary state enterprise FGUP "Moscow Canal" and 15 government agencies. The latter are state territorial branches of waterways and shipping (GBUVPiS) borne out of reorganization of state waterway enterprises and navigation channels of the Ministry of Transport of the Russian Federation (except for the state enterprise "Moscow Canal") pursuant to Regulation of the Government of the Russian Federation # 12 of 5 January 1995 "On Transformation of State Waterways and Navigation Canal Enterprises of the Ministry of Transport of the Russian Federation into Sate Territorial Branches of Waterways and Navigation of the Ministry".

The State River Fleet Service of the Ministry of Transport of the Russian Federation exercises control over the inland waterways.

The situation with the inland waterways was analyzed on the basis of documents submitted by the State River Fleet Service of the Ministry of Transport of the Russian Federation.

2. Role and reasonable scope of state support to inland waterways. Role of regions and private sector.

As a result of the privatization of inland waterways and ports the government retained ownership of the infrastructure and auxiliary system, while the most lucrative chunks such as sea and river ports, shipping companies and a significant portion of the service sector, went private.

The Code of Inland Water Transport of the Russian Federation effective as of March 13, 2001 confirmed federal ownership of hydraulic structures and navigation facilities located thereon. At the same time, it follows from the Code that any body corporate or natural person is allowed to use them. The Charter of the Inland Water Transport of the USSR, that had been in effect for over 45 years before it was superseded by the current Code, expressly stated that IWW fall into the category of ways in common use. In experts' view a new wording, although more evasive, can nevertheless be interpreted as allowing use of IWW free of charge, "with no strings attached". However, it stands to reason that many services related to IWW use could be delivered on a paid basis.

The Code also binds the State to maintain IWW and structures. However, if any of those facilities are assigned by the state to any third party, the related obligations will normally have to be assumed by the latter. Specifically, maintenance jobs at approaches to ports and in moorage areas as well as some other works are to be done on account of owners of hydraulic structures.

Thus far, for a number of weighty reasons, of which IWW unique nature is the strongest one, the public mandate in the water sector has not been clearly defined. No line has been drawn between transportation tasks per se and other functions of the water sector such as prevention of emergencies, supply of water/pressure head to industries, housing and utilities sector, farming and power generation sector, etc. As for the transport component, an inventory of assets needs to be taken and priority areas of state support need to be spelt out with due regard for projected traffic flows and scope for use of alternative means of transportation.

In the absence of national priorities the budgetary support of the water sector driven by considerations of safety and prevention of emergencies, etc. results in that the government subsidizes operations of transport and service enterprises, thereby creating unjustified competitive advantages over other component units of the transport system.

3. Economic condition of the sector and efficiency of federal budget expenditures on waterway industry

The river transport was fairly well developed and equipped in pre-reform Russia. Length-wise inland shipping waterways in general use are still comparable with railroads (89,000 km vs. 86,000 km, respectively, in 1986). However, in 1998 the river transport accounted for a mere 1.5% of total cargo and 0.04% of total passenger traffic ("*Rossiskii Statisticheskii Ezhegodnik za 1999"*).

The volume of transportation by inland waterways reached its peak in late 1980s but by the year 2000 fell to about 20% of the maximum level. Carriage of cargoes by rivers suffered the biggest decline as compared to other types of transport. Experts believe that because construction materials accounted for a significant share

of the traffic, traffic volumes may recover to pre-reform levels only in the medium term subject to increased investments.

Meanwhile, economic growth observed in recent years spurred up transportation on inland waterways.

Cargo transportation by rivers (MM t)

1990	1998	1999	2000
562	94	91	117

As can be seen, traffic volume reached 117 MM t in 2000 showing a 28.6% year-on-year increase. Revenues from river transport increased 1.4 times versus 1999 level having reached RUR16.9 bn (with costs running at RUR16.1 bn). Cargo handling at ports grew by 11.6%. Cargo structure has undergone positive changes: export coal traffic was diverted from Ukrainian to Ust-Donetsk and Eisk ports; cargo transportation from India via North-South international transport corridor was launched; crude oil and oil products, imported alumna and caprolactam are now transported in bigger quantities.

The Unified Deep Water System of Russia, making up part of the North-South international transport corridor, accounted for the larger share of growth. This resulted in increased load on the Volga-Baltic Channel that is currently operated at full capacity and unable to handle the increasingly large number of vessels.

Dramatic changes in traffic load on various segments of the overall river transport system over the recent decade (data for the period between 1998 and 2000 is provided in the Attachment hereto) coupled with changed economic conditions call for a revision of the sector structure and re-distribution of investments and expenditures on IWW maintenance. In so doing due regard should be paid to the need for priority development of waterway enterprises and transport corridors that will bear the heaviest burden of lockage operations and other works and services. In other words, they must be brought into a proper condition that will ensure their efficient operation under new economic conditions and in line with a new structure of needs.

Depreciation of fixed assets also prompts the need for state support. The current technical condition of hydraulic structures hat have been in operation for 40 to 60 or more years fails to comply with the requirements of the Federal Law “On Safety of Hydraulic Structures”. In particular, the safety margins of metalwork are approaching critical levels, and dams and locks are operated at a high risk that may result in serious damage to the national economy, should the water head front break down. Overall depreciation of special purpose technical fleet is 84 percent.

Increased efficiency of waterway sector enterprises may come from restructuring. As discussed earlier, 15 of them enjoy the status of government agencies, and there is one state unitary enterprise.

Government agencies combine administrative, managerial and operating functions, which gives rise to a conflict of interest and undermines efficiency of operations. Within their organizational structures government agencies have atypical business units that produce industrial goods (for the total value of RUR1.6 bn; largely for in-house needs). Restructuring of government agencies with manufacturing units spun off (as GUPs) and partially privatized, amplified at a later stage by purchases of

goods through bidding procedures, could keep purchasing costs down and improve quality of purchased items while enhancing the efficiency of the sector in general.

4. Review of budget expenditures on state support of the waterway sector

Budgetary financing

Federal budget expenditures on support of river transport, including spending under earmarked item (375) "State Support of River Transport" (expenditure types (234) "Provision for Safety of River Transport" (235), "Subsidies for Passenger Transportation Between Oblasts" and (462) "Expenditures on Settlement of Accounts Payable of Previous Years" amounted to RUR84.4 MM in 1999, which is but a small portion of the federal budgetary spending.

The largest share of spending was devoted to IWW overhaul and repairs. Deteriorating condition of waterways along with declining HS safety levels prompted the need for comprehensive measures, which would prevent disintegration of inland waterway infrastructure. The Government of the Russian Federation in its Regulation #464 "On Federal Target Program "Inland Waterways of the Russian Federation" for 1996-00 ", dated 15 April 1996, approved a program that aimed at preservation rather than development of the network of navigable waterways. During the above-mentioned period inland waterways were supposed to be financed in accordance with the said Program.

The level of funding was to be determined from the current condition of, and potential for, HS development. Therefore, pursuant to Regulation N1249 of the Government of the Russian Federation "On Measures Aimed to Provide for Sustainable Operation of Inland Waterways of Russia" dated September 29, 1997 and provisions of the Federal Law "On Safety of Hydraulic Structures" #111-FZ, dated July 21, 1997, the Ministry of Transport developed and the Ministry of Economy, based on the opinion of the Expert Council of the Russian Federation Government, approved provisional norms for assessment of financing requirements for repairs and overhauls of hydraulic structures in the river transport sector.

The norms were approved for a seven-year period (provided they come into effect in 2001) and intended to bring hydraulic structures up to a condition that would ensure proper safety level. It was assumed that in 7 years hydraulic structures would be restored to a state ensuring their normal accident-free operation, thereby reducing the need for further restoration efforts by half. The norms were so designed that the total amount of funds spent on restoration of the sites would not exceed their book value.

The following values were approved as the norms:

2.85% of the HS book value for restoration of navigable hydraulic structures maintained on GBUVPiS books of the Ministry of Transport of the Russian Federation;

0.99% of the HS book value for repairs of navigable hydraulic structures maintained on GBUVPiS books of the Ministry of Transport of the Russian Federation.

HS book value is given as of January 1, 1997, as no revaluation of the fixed assets has been undertaken since that time, and it is likely that the foregoing norms no longer reflect actual funding requirements for repair and restoration works.

If one proceeds from the assumption that the HS book value has not changed much over the last three years, it can be presumed that the amount of funds derived from the norms and requested by the State River Fleet Service reflects actual financing requirements for repairs and restoration works. The calculations suggest that the said works require RUR2.400 MM (in 2001 prices). However, the Law on the Federal Budget devotes only RUR313MM thereto plus RUR100MM to be financed from additional budget revenues (that will be most likely spent on other purposes). The norm hence fails to be met even in current prices despite the use of extra-budgetary revenues.

Besides, no account is taken of current maintenance costs. The norms therefor have already obtained relevant consents and are awaiting approval.

Under-financing may be disastrous for the sector, since safety of hydraulic structures is almost entirely dependent on government budget funds. Until 1988 HS repairs and overhauls were financed from amortization charges in accordance with the then effective rates established in the "Rates of Amortization Charges on Fixed Assets in the National Economy of the USSR and Rules of Procedures for Planning, Accrual and Use of Amortization Charges in the National Economy " (Regulation # 183 of the USSR Council of Ministers of March 14, 1974). Financing requirements for repairs and overhaul of individual hydraulic structures were adjusted for HS actual technical condition.

Effective from January 1988, financing procedures for repairs and restoration of hydraulic structures were modified pursuant to the Resolution (#CA-708/16-3) of the USSR Ministry of Finance and Gosplan (State Planning Board) whereby amortization charges ceased to accrue for the purpose of restoration of fixed assets of the river transport sector. Furthermore, the Ministry of Finance on December 30, 1999 issued Executive Order #107n "On Approval of the Instruction for Accounting in Government Agencies" establishing that only depreciation rates should apply to fixed assets of government agencies, with no amortization charges to accrue thereon. Therefore, fixed assets of waterway sector enterprises and, consequently, the level of safety of hydraulic structures are now to a larger extent dependent on how much funds will be allocated from the federal budget. Special budgetary appropriations were established to accommodate those activities. However, the earlier described figures show that they have been clearly insufficient, resulting in substantial deterioration of operation parameters that are key to stability and reliability of hydraulic structures.

On the other hand, even with the existing norms it seems impracticable to accurately assess the level of financing required for repairs and overhauls. It should come as no surprise, since fixed assets value used in all estimates of financing requirements is derived from indexing of 01.01.97 revaluation figures and thus, given a high degree of assets' depreciation, may distort the results of such assessment.

Extra-budgetary sources

Extra-budgetary funds generated from paid services provided by state territorial branches of waterways and shipping (GBUVPiS) and unitary state enterprise FGUP "Moscow Canal" should become a source of additional revenues for the waterway sector of the river transport.

Currently, the waterway sector of the State River Fleet Service includes 15 government agencies (GBUVPiS) and a unitary state enterprise FGUP "Moscow Canal" (Attachment). They were established as a result of reorganization of state waterway enterprises and navigable channels of the Ministry of Transport of the Russian Federation (except for the state enterprise "Moscow Canal") pursuant to Regulation of the Government of the Russian Federation # 12 of 5 January 1995 "On Transformation of State Waterways and Navigation Canal Enterprises of the Ministry of Transport of the Russian Federation into Sate Territorial Branches of Waterways and Navigation of the Ministry".

The Regulation also established that the amount of and procedures for charging and use of fees for services provided by state territorial branches of waterways and shipping of the Ministry of Transport of the Russian Federation shall be set by the Ministry of Transport of the Russian Federation upon approval by the Ministry of Finance of the Russian Federation.

At present, major works and services provided on a paid basis include the following:

- Assessment of condition of temporarily navigable waterways and cleaning of shipping channels on those waterways (normally those works are performed upon requests from subjects of the Russian Federation);

- Piloting (for example, it is only public pilots that are authorized to pilot vessels carrying oil).

At the same time a range of services, that could be provided for payment (locking, water head maintenance for hydroelectric power stations, pumping water for irrigation of farmlands) is delivered fee of charge, since the applicable standards oblige GBUVPiS to deliver them for free.

Establishment of fees to be charged by waterway enterprises for provision of the foregoing services is a fairly complicated issue, precisely because of an integrated nature of the services that makes it impossible to break them down by cost of production. The issue was raised on numerous occasions but the decision invariably was to leave everything unchanged, i.e. free of charge. Meanwhile, foreign experience has shown that most of the services in question can be provided on a paid basis. Clearly, the proceeds thus generated will be insufficient for meeting all of the financing requirements, but at least will lessen the burden on the federal budget.

Analysis of possibilities for introduction of payment for the services in question can hardly be undertaken within the scope of this report, since it requires a deeper insight into specific features of waterway operations. Besides, it is necessary to find out what effect introduction of payment for services may have on businesses. For instance, unreasonably high locking tariffs may result in lower profits, output and amount of services provided by companies and organizations that in one way or another deal with cargo transportations by inland waterways, which is bound to have a negative impact on budgetary revenues at all levels.

Nevertheless, it is imperative that an answer is given to the question about what should be the best distribution pattern of financing sources for waterway sector enterprises. The 2001 federal budget under the R&D heading provides for a study "Analysis and Development of Recommendations for Establishment of Procedures for Financing Inland Waterway Enterprises from Extra-budgetary Sources" that is called upon to provide partial solution to the problem.

The issue of access of foreign vessels to inland waters of the Russian Federation still awaits solution. Currently access thereto is granted on a case-by-case basis. The rules regulating use of inland waters of the Russian Federation by foreign vessels, if streamlined (including by establishment of tariffs for the services, as well as licensing of carriers), could contribute to growth of extra-budgetary revenues of waterway sector companies.

Federal Programs for Inland Waterway Development

The Inland Waterways of Russia Program for 1996-00 was approved by Resolution N464 of the Russian Government on April 15, 1996. Later on pursuant to Presidential Decree N881 "On Measures for Securing Sustainable Operation of Inland Waterways of Russia" of August 14, 1997 it was accorded a presidential status. Upon its expiry the Program was extended for 2001 pursuant to Regulation N1034 issued by the Government of the Russian Federation on December 30, 2000.

The overriding goal of the Program was to create appropriate conditions for preservation of the existing network of navigable waterways, safe shipping and failure-free operation of pressure hydraulic-engineering structures and meeting the demand for river transport services. By the preservation of the existing network of navigable waterways is implied not only prevention of the existing system from falling apart but also improvement of its quality. In other words, the system of hydraulic structures was supposed to be entirely upgraded for enabling it to cope with the range of tasks it was facing at the adequate level of safety of navigation. A new program was to be worked out at a later stage to be more aimed at developing hydraulic structures in response to the overall change of the economic environment.

Given below is the actual structure of sources of finance in use for the program (Attachment):

65.8 percent – federal budget allocations;

7.1 percent –allocations from regional budgets;

27.1 percent – collections from paid services and other sources.

The Program, although 2.7 percent above the plan for the total length of operated waterways, has fallen short of the established target for quality of the same (Attachment). Only 14.5 percent of the target for higher water head front stability and higher reliability of operation of embankment, dam, and channel slopes and 21.4 percent for high voltage lines were reached respectively, while building of various types of technical vessels ranged between a mere 3.1 and 12.1 percent. As can be inferred from the foregoing the Program for the most part was off the target. One may even form an impression that a totally different program was implemented and that the only thing it had in common with the officially approved presidential Program "Internal Waterways of Russia" was the objective of preserving the existing system of navigable waterways. However, the objective was pursued only insofar as it ensured

prevention of the system from collapsing rather than its broad-ranged modernization. This was due to below-the-target funding of the Program: allocations from the federal budget for operating and capital expenditures and for R&D amounted to 41.2, 46.1 and 18.8 percent of budget assignments respectively. Revenues raised from extra-budgetary sources have been spent nearly in full to finance operating expenditures. As for the execution of the whole Program (involving all sources of finance), the actual level of funding was 42.1 percent of what was originally envisaged for the Program.

The situation with Inland Waterways of Russia Program implementation is astonishing, to say the least, in view of the following two circumstances:

It enjoys the status of a presidential program requiring a more responsible approach to its implementation.

Hydraulic structures are included in the list of facilities having strategic importance.

On this basis, below the target funding of the Program is against the federal law. Moreover, under the Law "On Safety of Hydraulic Structures" (Article 20), "officials and other persons shall be liable in accordance with the legislation for breaking the law on safety of hydraulic structures, and actions/inaction resulting in less safety of hydraulic structures or emergencies".

Why was the presidential program treated that way? The analysis of laws on the federal budget (and its execution) has shown (Attachment) that the level of funding of hydraulic structures as prescribed in the budget is inherently low with actual appropriations falling short of even that level, low as it is (except for, perhaps, the last two years). Hence, the federal budget laws (adopted for financial years in the period between 1996-01) are in themselves a violation of the federal legislation insofar as they concern expenditures on HS safety and public investments in the river transport sector. This violation of the legislation goes even farther where the execution of the federal budget falls short of the established targets.

Notwithstanding the above, program measures taken between 1996 and 2000 made it possible to:

• bring the length of internal waterways up to its original level of 102.7 though. km;

• ensure guaranteed overall dimensions of shipping passages in the most heavily utilized river parts;

• ensure failure-free operation of hydraulic structures;

• increase the volume of cargo carried on inland waterways, including to and from foreign countries;

• ensure stable supply of goods to the Far North and locations equated thereto;

• overhaul many of the existing facilities that threatened to break down.

Prevention of flooding of cities and other major accidents may be regarded as the main output of the Program implementation.

5. Foreign experience in government financing of the waterway sector enterprises

In the U.S. and Germany governments pay a great deal of attention to maintenance and development of inland waterways that for the most part serve the

same purpose, as do waterways in Russia. But inland waterways play a more important role and are more intensely used in the U.S. and German economies. For instance, the length of Russia's inland waterways is 4.5 times that of the U.S. while the traffic volume is 5 to 6 times less, with the average intensity of inland waterway use in the U.S. being almost 25 times as high as in Russia.

As for the sources of funding, it is common practice (USA) to assign some of the taxes on boat fuel to special purpose funds with collections to be spent partially on capital expenditures on inland waterways. Besides, both in the U.S. and in Germany there is a toll charged for lockage.

But even with the revenues from levies for, and higher intensity of, the use of inland waterways in the U.S. and Germany the major source of their funding is the federal budget.

The following similarities and differences between Russia and the U.S. and Germany come to light when one compares the situations with funding of inland waterways:

Both in Russia and in the U.S. and Germany the major source of funding is the federal budget.

In the U.S. and Germany many services to inland waterway enterprises are provided on a paid basis whereas in Russia they are delivered free of charge. Furthermore, the recently repealed tax on sales of lubricants insofar as they are for the fleet consumption was for some reason paid to the federal road fund.

6. Conclusions and Recommendations

Detected Problems

1. There is no clear-cut mandate for the government to participate in the water facilities development.
2. Inland waterway development programs are not properly coordinated with Russia's economy development programs and programs for other types of transport (including programs for development of international transport passages and ports).
3. Waterway sector is overburdened with atypical functions (prevention of emergencies, IWW protection, supplies to northern territories) that hamper its development.
4. Organizational and business structure of the waterway sector is a combination of economic and managerial functions and as such doesn't fit in very well into the market economy. The load on HS has changed to the extent that they now have to perform other functions on top of securing navigation.
5. Many of the services such as lockage, maintenance of water head for hydroelectric power stations, and pumping water down for irrigation of farmlands, are provided to profit organizations free of charge. However, international experience indicates that a charge can be levied and that it may ease the burden on the federal budget.
6. Despite the presidential status accorded to the Program "Internal Waterways of Russia" for 1996-00 and in violation of the federal law establishing liability for

failure to finance in full high risk facilities that hydraulic structures (HS) are attributed to, the actual federal budget expenditures on the waterway sector for the said period were less than half of the Program target.

7. Norms developed and approved for repairs and overhauls of hydraulic-engineering structures fail to be adhered to. Some of the norms are yet to be developed and/or in need of improvement.
8. Due to under-funding the technical condition of hydraulic structures that have been in operation for 40 years or more fails to fully meet the requirements set out in the Federal Law "On Safety of Hydraulic Structures". Safety margin, for metalwork in particular, approaches a critical level, while the technical fleet has been almost completely worn out. The approved norms for funding of repair jobs and overhauls fail to be met.
9. Norms for repairs and overhauls of hydraulic structures are determined as a percentage of asset values with the most recent revaluation undertaken as of 01/01/1997. As some of the auxiliary facilities and vessels are completely worn out the existing evaluation of fixed assets fails to reflect the true situation.

Recommendations

General recommendations for improving the efficiency of budget expenditures

At the draft budget stage:

10. Draft a new program for sector development with a shift in HS funding philosophy from preservation to development and modernization of the existing infrastructure in line with present economic needs, new economic conditions and transport development programs.
11. Finalize exploration into ways and means of raising more off-budget revenues for GBUVPiS by establishing fees for a number of services currently delivered free of change (lockage, maintenance of the water head for hydroelectric power stations, water pumping to farms for irrigation, etc.) and provision of new types of services; utilization of buildings and lands, etc.
12. Ensure that funding of GBUVPiS from the federal budget is provided (having regard to extra-budgetary sources) at levels required for meeting the requirements of the Law "On Safety of Hydraulic Structures". Give a consideration to diverting some of the expenditures from Sections "Prevention of and Response to Emergencies and Accidents" and "Law Enforcement and National Security Activities".

In the field of government financial control and assessment of budget expenditure efficiency:

13. Create a methodology for assessment of efficiency of federal budget expenditures on securing HS safety.

In the field of reform of the system of public enterprises and government agencies:

14. Restructure waterway sector enterprises having the status of government agencies along the following lines:

- Divest of business units having no good reason for continuing to exist as government agencies (such as manufacturing business units) to be further privatized or liquidated where they are no longer needed.
- Write off completely depreciated equipment that is beyond repair;
- Create a bidding mechanism for awarding contracts to identified enterprises, provided they perform work or make products for the GBUVPiS;
- identify facilities and structures, that have no or lost their transportation value with a view to exploring options of their commercial use (sale, lease, etc.).

Recommendations for improving the efficiency of budget expenditures in 2002 Budget

15. Repeal Regulation N1136 of the CPSU Central Committee and the USSR Council of Ministers of August 11, 1956 insofar as it concerns abolishment of payment for water supplied by waterway sector enterprises to farms for irrigation.
16. Finalize the procedure for approval of norms for HS maintenance.